

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

|   |                                |  |                          |
|---|--------------------------------|--|--------------------------|
| Local Government Type<br><input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other |                                | Local Government Name<br><b>Bath Charter Township</b>        | County<br><b>Clinton</b> |
| Audit Date<br><b>12/31/05</b>   | Opinion Date<br><b>3/10/06</b> | Date Accountant Report Submitted to State:<br><b>5/17/06</b> |                          |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

**We have enclosed the following:**

|   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   | ✓        |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 | ✓            |
| Single Audit Reports (ASLGU).   |          |                 | ✓            |

|   |                             |                    |                        |
|---|-----------------------------|--------------------|------------------------|
| Certified Public Accountant (Firm Name)<br><b>Abraham &amp; Gaffney, P.C.</b> |                             |                    |                        |
| Street Address<br><b>3511 Coolidge Road, Suite 100</b>                        | City<br><b>East Lansing</b> | State<br><b>MI</b> | ZIP<br><b>48823</b>    |
| Accountant Signature<br><i>Abraham &amp; Gaffney, P.C. Aaron M. Stevens</i>   |                             |                    | Date<br><b>5/16/06</b> |

**Bath Charter Township  
Clinton County, Michigan**

**FINANCIAL STATEMENTS**

**December 31, 2005**

Bath Charter Township  
Clinton County, Michigan  
December 31, 2005

BOARD OF TRUSTEES AND ADMINISTRATION

|                   |                |
|-------------------|----------------|
| Lynwood McGonigal | Supervisor     |
| Kathleen McQueen  | Clerk          |
| Steve Wiswasser   | Treasurer      |
| Clark Losey       | Trustee        |
| Roni Christmas    | Trustee        |
| Joel Gutzki       | Trustee        |
| Adam Stacey       | Trustee        |
| Mark Ritter       | Superintendent |

Bath Charter Township

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Principals

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**ABRAHAM & GAFFNEY, P.C.**

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board  
Bath Charter Township  
Bath, Michigan

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Bath Charter Township, Michigan as of and for the year ended December 31, 2005, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Bath Charter Township, Michigan as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bath Charter Township's basic financial statements. The accompanying other supplementary information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Abraham & Gaffney P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 10, 2006

Bath Charter Township  
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

**New Financial Reporting**

Starting with fiscal year 2004, Bath Charter Township, Michigan (the "Township") has revised and improved its financial reporting document. These changes are a result of standards set by the Governmental Accounting Standards Board (GASB). The intent of these new standards is to provide citizens, taxpayers, customers, and investors with a better understanding of how the Township's money and other assets are managed.

The standards set by GASB are intended to give the reader of this annual financial report a better understanding of the financial status of the Township. The standards introduce accounting rules and systems that are common in the private sector. This report presents a much broader picture of the Township's financial status. Through this comprehensive reporting of assets and liabilities, the reader should have a greater understanding of the Township's financial health.

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the fiscal year ended December 31, 2005. Please read it in conjunction with the Township's financial statements.

**Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended December 31, 2005:

- Property tax revenues, our largest revenue source in the General Fund, increased approximately \$154,261 from the prior year. The increase is the net result of an increase in the true cash value of real and personal properties in the Township.
- The Township purchased a new fire truck this year under a lease purchase agreement. The cost of the new fire truck was \$348,128.
- The Township also rebuilt one of its existing fire trucks at a cost of approximately \$23,699 contributing to a budget amendment increase of \$47,030 for public safety.
- Total fund balances related to the Township's governmental funds increased by \$451,450.

**Using this Annual Report**

This discussion and analysis is intended to serve as an introduction to Bath Charter Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The statement of net assets and the statement of activities provide information about the activities of Bath Charter Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

**Fund Financial Statements.** The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of Bath Charter Township in more detail than the government-wide financial statements by providing information about the Township's most significant funds. The fiduciary fund statements provide financial information about activities for which Bath Charter Township acts solely as a trustee or agent for the benefit of those outside the government.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Bath Charter Township maintains nine (9) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the Other Supplementary Information section of this report.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

**Proprietary Funds.** Bath Charter Township maintains three (3) proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its sewer system and water system activity. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the Township's various functions. Bath Charter Township uses an Internal Service Fund to account for potential future employee sick and vacation payouts. Because the services provided by employees of the Township predominantly benefit governmental rather than business-type functions, the activities of the Internal Service Fund have been included within governmental activities in the government-wide financial statements.

**Fiduciary Funds.** Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 12-26 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this MD&A and the General Fund budgetary comparison schedule. Combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information.

Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

**The Township as a Whole**

The following table shows, in a condensed format, the net assets as of December 31, 2005 and 2004.

|   | Governmental Activities<br>December 31 |                     | Business-type Activities<br>December 31 |                     | Totals<br>December 31 |                     |
|---|--|---------------------|---|---------------------|-----------------------|---------------------|
|   | 2005                                   | 2004                | 2005                                    | 2004                | 2005                  | 2004                |
| <b>Assets</b>                                     |  |                     |   |                     |                       |                     |
| Current and other assets                          | \$ 3,860,080                           | \$ 3,256,890        | \$ 4,001,258                            | \$ 3,862,052        | \$ 7,861,338          | \$ 7,118,942        |
| Capital assets, net                               | <u>3,872,025</u>                       | <u>3,556,940</u>    | <u>5,673,130</u>                        | <u>5,516,637</u>    | <u>9,545,155</u>      | <u>9,073,577</u>    |
| Total assets                                      | 7,732,105                              | 6,813,830           | 9,674,388                               | 9,378,689           | 17,406,493            | 16,192,519          |
| <b>Liabilities</b>                                |  |                     |   |                     |                       |                     |
| Current liabilities                               | 240,189                                | 176,441             | 323,542                                 | 264,283             | 563,731               | 440,724             |
| Noncurrent liabilities                            | <u>1,936,673</u>                       | <u>1,788,994</u>    | <u>4,231,459</u>                        | <u>4,488,794</u>    | <u>6,168,132</u>      | <u>6,277,788</u>    |
| Total liabilities                                 | 2,176,862                              | 1,965,435           | 4,555,001                               | 4,753,077           | 6,731,863             | 6,718,512           |
| <b>Net Assets</b>                                 |  |                     |   |                     |                       |                     |
| Invested in capital assets<br>net of related debt | 1,656,258                              | 2,697,275           | 3,679,659                               | 3,841,637           | 5,335,917             | 6,538,912           |
| Restricted  | 168,061                                | 90,265              | -                                       | -                   | 168,061               | 90,265              |
| Unrestricted                                      | <u>3,730,924</u>                       | <u>2,060,855</u>    | <u>1,439,728</u>                        | <u>783,975</u>      | <u>5,170,652</u>      | <u>2,844,830</u>    |
|   | <u>\$ 5,555,243</u>                    | <u>\$ 4,848,395</u> | <u>\$ 5,119,387</u>                     | <u>\$ 4,625,612</u> | <u>\$ 10,674,630</u>  | <u>\$ 9,474,007</u> |

Net assets may serve over time as a useful indicator of a government's financial position. Bath Charter Township's assets exceeded liabilities by \$10,674,630 as of December 31, 2005. By far the most significant portion of the Township's net assets (50 percent) reflects its investment in capital assets (e.g., land, buildings, equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Township's net assets (approximately 2 percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$5,170,652) may be used to meet the Township's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The Township's net assets increased by \$1,232,304 during the current year as discussed on the following page.



# Bath Charter Township

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

|   | Governmental Activities<br>December 31 |                   | Business-type Activities<br>December 31 |                         | Totals<br>December 31 |                         |
|---|--|-------------------|---|-------------------------|-----------------------|-------------------------|
|   | 2005                                   | 2004              | 2005                                    | 2004                    | 2005                  | 2004                    |
| <b>Revenue</b>                                |  |                   |   |                         |                       |                         |
| Program revenue:                              |  |                   |   |                         |                       |                         |
| Charges for services                          | \$ 577,813                             | \$ 488,552        | \$ 1,434,270                            | \$ 1,373,936            | \$ 2,012,083          | \$ 1,862,488            |
| Operating grants and contributions            | 2,472                                  | 2,257             | -                                       | 36,170                  | 2,472                 | 38,427                  |
| Capital grants and contributions              | 68,166                                 | 45,887            | 5,086                                   | -                       | 73,252                | 45,887                  |
| General revenue:                              |  |                   |   |                         |                       |                         |
| Property taxes                                | 2,064,679                              | 1,912,385         | -                                       | -                       | 2,064,679             | 1,912,385               |
| State shared revenue                          | 571,850                                | 565,648           | -                                       | -                       | 571,850               | 565,648                 |
| Investment earnings                           | 71,938                                 | 37,568            | 52,455                                  | 39,212                  | 124,393               | 76,780                  |
| Equity interest in SCCMUA                     | -                                      | -                 | 644,876                                 | 41,761                  | 644,876               | 41,761                  |
| Miscellaneous                                 | 35,189                                 | 44,710            | 3,200                                   | 7,866                   | 38,389                | 52,576                  |
| Special item - gain on sale of capital assets | 228,209                                | -                 | -                                       | -                       | 228,209               | -                       |
| <b>Total revenue</b>                          | <b>3,620,316</b>                       | <b>3,097,007</b>  | <b>2,139,887</b>                        | <b>1,498,945</b>        | <b>5,760,203</b>      | <b>4,595,952</b>        |
| <b>Program Expenses</b>                       |  |                   |   |                         |                       |                         |
| General government                            | 943,469                                | 832,845           | -                                       | -                       | 943,469               | 832,845                 |
| Public safety                                 | 1,475,203                              | 1,430,608         | -                                       | -                       | 1,475,203             | 1,430,608               |
| Public works                                  | 351,854                                | 319,721           | -                                       | -                       | 351,854               | 319,721                 |
| Recreation and cultural                       | 51,471                                 | 46,346            | -                                       | -                       | 51,471                | 46,346                  |
| Sewer system                                  | -                                      | -                 | 1,646,112                               | 3,904,535               | 1,646,112             | 3,904,535               |
| Interest on long-term debt                    | 59,790                                 | 50,575            | -                                       | -                       | 59,790                | 50,575                  |
| <b>Total program expenses</b>                 | <b>2,881,787</b>                       | <b>2,680,095</b>  | <b>1,646,112</b>                        | <b>3,904,535</b>        | <b>4,527,899</b>      | <b>6,584,630</b>        |
| <b>Change in Net Assets</b>                   | <b>\$ 738,529</b>                      | <b>\$ 416,912</b> | <b>\$ 493,775</b>                       | <b>\$ ( 2,405,590 )</b> | <b>\$ 1,232,304</b>   | <b>\$ ( 1,988,678 )</b> |

### Governmental Activities

Governmental activities increased the Township's net assets by \$738,529 during fiscal year 2005. Key elements of this increase are as follows:

The Township's governmental activities' revenues totaled \$3,620,316 with the greatest revenue source being property taxes. Property taxes make up approximately 57% of total governmental revenue.

The Township incurred expenses of \$2,881,787 during the year. The majority of governmental expense is associated with the public safety function, which includes fire and police services.

### Business-type Activities

Business-type activities increased the Township's net assets by \$493,775 during fiscal year 2005. The increase in net assets was due to the purchase of capacity at the Southern Clinton County Municipal Utilities Authority during fiscal year 2004. This purchase of capacity increased Bath Charter Township's ownership in the joint venture Authority from approximately 13% to approximately 17%. The majority (67%) of the revenue of the business-type activities is generated through user charges.

### The Township's Funds

**Governmental Funds.** The analysis of the Township's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not Bath Charter Township as a whole. Bath Charter Township's Board of Trustees creates funds to help manage money for specific purposes. The Township's major governmental fund for the fiscal year ended December 31, 2005 was the General Fund.

The General Fund pays for most of the Township's governmental services. The most significant service provided during the fiscal year was for public safety, which incurred expenditures of \$1,075,401 for the fiscal year. Public Safety services are partially supported by a police and fire millage, which is recorded in the General Fund.

Bath Charter Township

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2005

**Proprietary Funds.** The Township's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer System Fund and the Water System Fund at the end of the year amounted to \$1,348,486 and \$91,242, respectively. The changes in net assets for the Sewer System Fund and the Water System Fund for the fiscal year were \$467,289 and \$26,486, respectively. Other factors concerning the finances of these two funds have already been addressed in the discussion of the Township's business-type activities.

**General Fund Budgetary Highlights**

Over the course of the fiscal year, the Township Board made necessary budget adjustments to fund unanticipated expenditures during the year. Budget amendment increases were made to cover unanticipated costs in the General Fund, specifically in the repairs and maintenance and capital outlay departments.

**Capital Asset and Debt Administration**

**Capital Assets.** At the end of the fiscal year, the Township had approximately \$9,545,155 invested in a broad range of capital assets, including buildings, land, equipment, and utilities. In addition, the Township has made certain investments in roads and drains within Bath Charter Township. These assets are not reported in Bath Charter Township's fund statements because under Michigan law these roads and drains are the property of the Clinton County Road and Drain Commissions, respectively.

As of December 31, 2005, the capital asset amount reflected above included \$443,471 of construction in progress, primarily related to the sewer system project.

**Long-term Debt.** The Township issued \$426,010 in new debt during the fiscal year. This debt was used to finance the purchase of a new fire truck and 4 new police cars.

**Current Economic Factors**

Revenue sharing is the most significant budgetary concern at this time. The State of Michigan is experiencing significant budget problems and as they look for solutions revenue sharing continues to be under attack. Should the statutory component of Revenue Sharing be eliminated through State budget cuts, Bath Charter Township would experience a revenue loss of approximately \$40,000; however this loss appears less likely in the near future as the Michigan State Legislature is currently working to restore approximately twenty million dollars to the statutory component of revenue sharing.

The Township is likely to amend the Township's 2006 general fund budget at some point during fiscal year to allow for previously unanticipated additional expenditures associated with additional staffing. This additional expenditure and associated costs are not expected to exceed \$70,000.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Superintendent or Treasurer at the Township Hall.

## **BASIC FINANCIAL STATEMENTS**

Bath Charter Township  
STATEMENT OF NET ASSETS

December 31, 2005

|   | Governmental<br>Activities | Business-type<br>Activities | Total         |
|---|----------------------------|-----------------------------|---------------|
| <b>ASSETS</b>                                   |                            |                             |               |
| Current assets                                  |                            |                             |               |
| Cash and cash equivalents                       | \$ 2,566,137               | \$ 1,880,469                | \$ 4,446,606  |
| Receivables                                     | 1,127,126                  | 50,912                      | 1,178,038     |
| Prepays   | 75,539                     | -                           | 75,539        |
| Internal balances                               | (5,284)                    | 5,284                       | -0-           |
| Total current assets                            | 3,763,518                  | 1,936,665                   | 5,700,183     |
| Noncurrent assets                               |                            |                             |               |
| Investments                                     | 96,562                     | -                           | 96,562        |
| Deferred charges                                | -                          | 76,791                      | 76,791        |
| Investment in SCCMUA                            | -                          | 1,987,802                   | 1,987,802     |
| Capital assets not being depreciated            | 1,064,520                  | 443,471                     | 1,507,991     |
| Capital assets, net of accumulated depreciation | 2,807,505                  | 5,229,659                   | 8,037,164     |
| Total noncurrent assets                         | 3,968,587                  | 7,737,723                   | 11,706,310    |
| TOTAL ASSETS                                    | 7,732,105                  | 9,674,388                   | 17,406,493    |
| <b>LIABILITIES</b>                              |                            |                             |               |
| Current liabilities                             |                            |                             |               |
| Accounts payable                                | 43,168                     | 35,973                      | 79,141        |
| Accrued liabilities                             | 20,901                     | -                           | 20,901        |
| Accrued interest payable                        | 21,017                     | 32,569                      | 53,586        |
| Current portion of compensated absences         | 22,423                     | -                           | 22,423        |
| Current portion of long-term debt               | 132,680                    | 255,000                     | 387,680       |
| Total current liabilities                       | 240,189                    | 323,542                     | 563,731       |
| Noncurrent liabilities                          |                            |                             |               |
| Deferred revenue                                | 850,838                    | 61,459                      | 912,297       |
| Compensated absences                            | 67,268                     | -                           | 67,268        |
| Noncurrent portion of long-term debt            | 1,018,567                  | 4,170,000                   | 5,188,567     |
| Total noncurrent liabilities                    | 1,936,673                  | 4,231,459                   | 6,168,132     |
| TOTAL LIABILITIES                               | 2,176,862                  | 4,555,001                   | 6,731,863     |
| <b>NET ASSETS</b>                               |                            |                             |               |
| Invested in capital assets, net of related debt | 1,656,258                  | 3,679,659                   | 5,335,917     |
| Restricted for:                                 |                            |                             |               |
| Debt service                                    | 2,068                      | -                           | 2,068         |
| Other purposes                                  | 165,993                    | -                           | 165,993       |
| Unrestricted                                    | 3,730,924                  | 1,439,728                   | 5,170,652     |
| TOTAL NET ASSETS                                | \$ 5,555,243               | \$ 5,119,387                | \$ 10,674,630 |

See accompanying notes to financial statements.

Bath Charter Township

STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

| Functions/Programs                            | Expenses     | Program Revenues     |                                    | Net (Expense) Revenue and Changes in Net Assets |                         |                          |
|---|--------------|----------------------|------------------------------------|---|-------------------------|--------------------------|
|   |              | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions                | Governmental Activities | Business-type Activities |
| Governmental activities:                      |              |                      |                                    |   |                         |                          |
| General government                            | \$ 943,469   | \$ 267,746           | \$ -                               | \$ 17,651                                       | \$ (658,072)            | \$ -                     |
| Public safety                                 | 1,475,203    | 294,129              | 2,472                              | -   | (1,178,602)             | -                        |
| Public works                                  | 351,854      | -                    | -                                  | 50,515  | (301,339)               | -                        |
| Recreation and cultural                       | 51,471       | 15,938               | -                                  | -   | (35,533)                | -                        |
| Interest expense                              | 59,790       | -                    | -                                  | -   | (59,790)                | -                        |
| Total governmental activities                 | 2,881,787    | 577,813              | 2,472                              | 68,166  | (2,233,336)             | -0-                      |
| Business-type activities:                     |              |                      |                                    |   |                         |                          |
| Sewer system                                  | 1,646,112    | 1,408,670            | -                                  | 5,086   | -                       | (232,356)                |
| Water system                                  | -            | 25,600               | -                                  | -   | -                       | 25,600                   |
| Total business-type activities                | 1,646,112    | 1,434,270            | -0-                                | 5,086   | -0-                     | (206,756)                |
| Total government                              | \$ 4,527,899 | \$ 2,012,083         | \$ 2,472                           | \$ 73,252                                       | (2,233,336)             | (206,756)                |
| General revenues:                             |              |                      |                                    |   |                         |                          |
| Property taxes                                |              |                      |                                    |   | 2,064,679               | -                        |
| State shared revenues                         |              |                      |                                    |   | 571,850                 | -                        |
| Investment earnings                           |              |                      |                                    |   | 71,938                  | 52,455                   |
| Equity interest in SCCMUA operations          |              |                      |                                    |   | -                       | 644,876                  |
| Miscellaneous                                 |              |                      |                                    |   | 35,189                  | 3,200                    |
| Special item - Gain on sale of capital assets |              |                      |                                    |   | 228,209                 | -                        |
| Total general revenues and special item       |              |                      |                                    |   | 2,971,865               | 700,531                  |
| Change in net assets                          |              |                      |                                    |   | 738,529                 | 493,775                  |
| Net assets, beginning of the year             |              |                      |                                    |   | 4,848,395               | 4,625,612                |
| Prior period adjustment                       |              |                      |                                    |   | (31,681)                | -                        |
| Net assets, end of the year                   |              |                      |                                    |   | \$ 5,555,243            | \$ 5,119,387             |
|   |              |                      |                                    |   |                         | \$ 10,674,630            |

See accompanying notes to financial statements.

## Bath Charter Township

## GOVERNMENTAL FUNDS BALANCE SHEET

December 31, 2005

|  | General             | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|-----------------------------------|--------------------------------|
| <b>ASSETS</b>                              |                     |                                   |                                |
| Cash and cash equivalents                  | \$ 1,986,263        | \$ 562,768                        | \$ 2,549,031                   |
| Investments                                | 96,562              | -                                 | 96,562                         |
| Receivables                                |                     |                                   |                                |
| Accounts                                   | 2,453               | -                                 | 2,453                          |
| Taxes                                      | 1,090,826           | -                                 | 1,090,826                      |
| Special assessments                        | -                   | 33,847                            | 33,847                         |
| Prepays                                    | 75,539              | -                                 | 75,539                         |
| <b>TOTAL ASSETS</b>                        | <b>\$ 3,251,643</b> | <b>\$ 596,615</b>                 | <b>\$ 3,848,258</b>            |
| <b>LIABILITIES AND FUND BALANCES</b>       |                     |                                   |                                |
| <b>LIABILITIES</b>                         |                     |                                   |                                |
| Accounts payable                           | \$ 23,890           | \$ 19,278                         | \$ 43,168                      |
| Accrued liabilities                        | 20,901              | -                                 | 20,901                         |
| Due to other funds                         | 5,284               | -                                 | 5,284                          |
| Deferred revenue                           | 1,916,852           | 58,659                            | 1,975,511                      |
| <b>TOTAL LIABILITIES</b>                   | <b>1,966,927</b>    | <b>77,937</b>                     | <b>2,044,864</b>               |
| <b>FUND BALANCES</b>                       |                     |                                   |                                |
| Reserved for:                              |                     |                                   |                                |
| Prepays                                    | 75,539              | -                                 | 75,539                         |
| Debt service                               | -                   | 2,068                             | 2,068                          |
| Unreserved                                 |                     |                                   |                                |
| Designated for capital projects            | 162,040             | 66,441                            | 228,481                        |
| Undesignated, reported in:                 |                     |                                   |                                |
| General fund                               | 1,047,137           | -                                 | 1,047,137                      |
| Special revenue funds                      | -                   | 450,169                           | 450,169                        |
| <b>TOTAL FUND BALANCES</b>                 | <b>1,284,716</b>    | <b>518,678</b>                    | <b>1,803,394</b>               |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b>\$ 3,251,643</b> | <b>\$ 596,615</b>                 | <b>\$ 3,848,258</b>            |

See accompanying notes to financial statements.

Bath Charter Township

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

December 31, 2005

**Total fund balance - governmental funds** \$ 1,803,394

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

|                               |                    |           |
|-------------------------------|--------------------|-----------|
| The cost of capital assets is | \$ 5,636,180       |           |
| Accumulated depreciation is   | <u>(1,764,155)</u> |           |
| Capital assets, net           |                    | 3,872,025 |

Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-wide Statement of Net Assets

|  |  |        |
|--|--|--------|
| Net assets of governmental activities<br>accounted for in Internal Service Funds |  | 17,106 |
|--|--|--------|

Long-term receivables are not available to pay for current period expenditures and are therefore deferred in the funds. These consist of:

|                  |  |           |
|------------------|--|-----------|
| Deferred revenue |  | 1,124,673 |
|------------------|--|-----------|

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

|                          |                    |                    |
|--------------------------|--------------------|--------------------|
| Compensated absences     | (89,691)           |                    |
| Accrued interest payable | (21,017)           |                    |
| Bonds and notes payable  | <u>(1,151,247)</u> |                    |
|                          |                    | <u>(1,261,955)</u> |

|  |  |                            |
|--|--|----------------------------|
| <b>Net assets of governmental activities</b> |  | <b><u>\$ 5,555,243</u></b> |
|--|--|----------------------------|

See accompanying notes to financial statements.

## Bath Charter Township

## Governmental Funds

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended December 31, 2005

|   | General      | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|--------------|-----------------------------------|--------------------------------|
| REVENUES  |              |                                   |                                |
| Taxes   | \$ 1,881,257 | \$ -                              | \$ 1,881,257                   |
| Licenses and permits  | 34,563       | 281,103                           | 315,666                        |
| Intergovernmental   | 576,045      | 2,472                             | 578,517                        |
| Charges for services  | 90,180       | 19,664                            | 109,844                        |
| Interest and rents  | 117,082      | 116                               | 117,198                        |
| Other   | 33,530       | 69,826                            | 103,356                        |
| TOTAL REVENUES  | 2,732,657    | 373,181                           | 3,105,838                      |
| EXPENDITURES  |              |                                   |                                |
| Current   |              |                                   |                                |
| General government  | 841,232      | 4,876                             | 846,108                        |
| Public safety   | 1,075,401    | 222,923                           | 1,298,324                      |
| Public works  | 283,016      | 56,730                            | 339,746                        |
| Recreation and cultural   | 48,063       | -                                 | 48,063                         |
| Debt service  | 107,575      | 73,805                            | 181,380                        |
| Capital outlay  | 522,618      | 72,368                            | 594,986                        |
| TOTAL EXPENDITURES  | 2,877,905    | 430,702                           | 3,308,607                      |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES   | (145,248)    | (57,521)                          | (202,769)                      |
| OTHER FINANCING SOURCES (USES)  |              |                                   |                                |
| Lease proceeds  | 426,010      | -                                 | 426,010                        |
| Proceeds from sale of capital assets  | 228,209      | -                                 | 228,209                        |
| Transfers in  | -            | 73,805                            | 73,805                         |
| Transfers out   | (73,805)     | -                                 | (73,805)                       |
| TOTAL OTHER FINANCING SOURCES (USES)  | 580,414      | 73,805                            | 654,219                        |
| EXCESS OF REVENUES AND OTHER FINANCING<br>SOURCES OVER (UNDER) EXPENDITURES AND<br>OTHER FINANCING USES | 435,166      | 16,284                            | 451,450                        |
| Fund balances, beginning of year  | 881,231      | 502,394                           | 1,383,625                      |
| Prior period adjustment   | (31,681)     | -                                 | (31,681)                       |
| Fund balances, end of year  | \$ 1,284,716 | \$ 518,678                        | \$ 1,803,394                   |

See accompanying notes to financial statements.



Bath Charter Township

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended December 31, 2005

**Net change in fund balances - total governmental funds** \$ 451,450

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

|  |                  |          |
|--|------------------|----------|
| Capital outlay                                     | \$ 581,254       |          |
| Depreciation                                       | <u>(216,600)</u> |          |
| Excess of capital outlay over depreciation expense |                  | 364,654  |
| Net effect of disposal of capital assets           |                  | (49,569) |

|  |         |
|--|---------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 286,269 |
|--|---------|

Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

|   |                |           |
|---|----------------|-----------|
| Lease proceeds                                    | (426,010)      |           |
| Principal retirement                              | <u>134,428</u> |           |
| Excess of debt proceeds over principal retirement |                | (291,582) |

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

|  |                |                 |
|--|----------------|-----------------|
| (Increase) in accrued interest payable     | (12,838)       |                 |
| (Increase) in accrued compensated absences | <u>(9,855)</u> |                 |
|  |                | <u>(22,693)</u> |

**Change in net assets of governmental activities** \$ 738,529

See accompanying notes to financial statements.

Bath Charter Township

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2005

|   | Business-type Activities |   |                     | Governmental Activities                            |
|---|--------------------------|---|---------------------|--|
|   | Sewer System             | Nonmajor Enterprise Fund (Water System) | Total               | Internal Service Fund (Employee Sick and Vacation) |
| <b>ASSETS</b>                                   |                          |   |                     |  |
| Current assets                                  |                          |   |                     |  |
| Cash and cash equivalents                       | \$ 1,789,227             | \$ 91,242                               | \$ 1,880,469        | \$ 17,106  |
| Receivables                                     |                          |   |                     |  |
| Accounts  | 45,826                   | -                                       | 45,826              | -  |
| Special assessments                             | 5,086                    | -                                       | 5,086               | -  |
| Due from other funds                            | 5,284                    | -                                       | 5,284               | -  |
| Total current assets                            | 1,845,423                | 91,242                                  | 1,936,665           | 17,106   |
| Noncurrent assets                               |                          |   |                     |  |
| Deferred charges                                | 76,791                   | -                                       | 76,791              | -  |
| Investment in SCCMUA                            | 1,987,802                | -                                       | 1,987,802           | -  |
| Capital assets not being depreciated            | 443,471                  | -                                       | 443,471             | -  |
| Capital assets, net of accumulated depreciation | 5,229,659                | -                                       | 5,229,659           | -  |
| Total noncurrent assets                         | 7,737,723                | -0-                                     | 7,737,723           | -0-  |
| <b>TOTAL ASSETS</b>                             | <b>9,583,146</b>         | <b>91,242</b>                           | <b>9,674,388</b>    | <b>17,106</b>                                      |
| <b>LIABILITIES</b>                              |                          |   |                     |  |
| Current liabilities                             |                          |   |                     |  |
| Accounts payable                                | 35,973                   | -                                       | 35,973              | -  |
| Accrued interest payable                        | 32,569                   | -                                       | 32,569              | -  |
| Current portion of long-term debt               | 255,000                  | -                                       | 255,000             | -  |
| Total current liabilities                       | 323,542                  | -0-                                     | 323,542             | -0-  |
| Noncurrent liabilities                          |                          |   |                     |  |
| Deferred revenue                                | 61,459                   | -                                       | 61,459              | -  |
| Bonds payable                                   | 4,170,000                | -                                       | 4,170,000           | -  |
| Total noncurrent liabilities                    | 4,231,459                | -0-                                     | 4,231,459           | -0-  |
| <b>TOTAL LIABILITIES</b>                        | <b>4,555,001</b>         | <b>-0-</b>                              | <b>4,555,001</b>    | <b>-0-</b>   |
| <b>NET ASSETS</b>                               |                          |   |                     |  |
| Invested in capital assets, net of related debt | 3,679,659                | -                                       | 3,679,659           | -  |
| Unrestricted                                    | 1,348,486                | 91,242                                  | 1,439,728           | 17,106   |
| <b>TOTAL NET ASSETS</b>                         | <b>\$ 5,028,145</b>      | <b>\$ 91,242</b>                        | <b>\$ 5,119,387</b> | <b>\$ 17,106</b>                                   |

See accompanying notes to financial statements.

## Bath Charter Township

## Proprietary Funds

## STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended December 31, 2005

|   | Business-type Activities |  |                     | Governmental<br>Activities                                  |
|---|--------------------------|--|---------------------|---|
|   |                          | Nonmajor<br>Enterprise Fund<br>(Water<br>System) | Total               | Internal<br>Service Fund<br>(Employee Sick<br>and Vacation) |
|   | Sewer<br>System          |  |                     |   |
| OPERATING REVENUES                        |                          |  |                     |   |
| Charges for services                      | \$ 900,793               | \$ 25,600  | \$ 926,393          | \$ -  |
| OPERATING EXPENSES                        |                          |  |                     |   |
| Contractual service                       | 1,235,019                | -  | 1,235,019           | -   |
| Administrative expense                    | 20,000                   | -  | 20,000              | -   |
| Supplies                                  | 339                      | -  | 339                 | -   |
| Other                                     | 2,404                    | -  | 2,404               | -   |
| Depreciation                              | 181,118                  | -  | 181,118             | -   |
| TOTAL OPERATING EXPENSES                  | 1,438,880                | -0-  | 1,438,880           | -0-   |
| OPERATING ICOME (LOSS)                    | (538,087)                | 25,600   | (512,487)           | -0-   |
| NONOPERATING REVENUES (EXPENSES)          |                          |  |                     |   |
| Equity interest in 2005 SCCMUA operations | 644,876                  | -  | 644,876             | -   |
| Tap in fees                               | 507,877                  | -  | 507,877             | -   |
| Special assessments                       | 5,086                    | -  | 5,086               | -   |
| Interest revenue                          | 51,569                   | 886  | 52,455              | -   |
| Paying agent fees                         | (900)                    | -  | (900)               | -   |
| Interest expense                          | (202,290)                | -  | (202,290)           | -   |
| Amortization of bond issuance costs       | (4,042)                  | -  | (4,042)             | -   |
| Other                                     | 3,200                    | -  | 3,200               | -   |
| TOTAL NONOPERATING<br>REVENUES (EXPENSES) | 1,005,376                | 886  | 1,006,262           | -0-   |
| CHANGE IN NET ASSETS                      | 467,289                  | 26,486   | 493,775             | -0-   |
| Net assets, beginning of year             | 4,560,856                | 64,756   | 4,625,612           | 17,106  |
| Net assets, end of year                   | <u>\$ 5,028,145</u>      | <u>\$ 91,242</u>                                 | <u>\$ 5,119,387</u> | <u>\$ 17,106</u>  |

See accompanying notes to financial statements.

Bath Charter Township

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended December 31, 2005

|  | Business-type Activities |   |                    | Governmental Activities                            |
|--|--------------------------|---|--------------------|--|
|  |                          | Nonmajor Enterprise Fund (Water System) | Total              | Internal Service Fund (Employee Sick and Vacation) |
|  | Sewer System             |   |                    |  |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |                          |   |                    |  |
| Cash receipts from customers                                       | \$ 886,248               | \$ 25,600                               | \$ 911,848         | \$ -   |
| Cash received from other funds                                     | 18,891                   | -                                       | 18,891             | -  |
| Cash paid to suppliers   | (1,219,461)              | -                                       | (1,219,461)        | -  |
| <b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>            | (314,322)                | 25,600                                  | (288,722)          | -0-  |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>             |                          |   |                    |  |
| Tap in fees  | 507,877                  | -                                       | 507,877            | -  |
| Paying agent fees  | (900)                    | -                                       | (900)              | -  |
| Other  | 3,200                    | -                                       | 3,200              | -  |
| <b>NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES</b>        | 510,177                  | -0-                                     | 510,177            | -0-  |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>    |                          |   |                    |  |
| Special assessments  | 5,086                    | -                                       | 5,086              | -  |
| Interest expense   | (202,290)                | -                                       | (202,290)          | -  |
| Capital acquisitions   | (337,611)                | -                                       | (337,611)          | -  |
| Amortization of bond issuance costs                                | (4,042)                  | -                                       | (4,042)            | -  |
| Payments on borrowings   | (230,000)                | -                                       | (230,000)          | -  |
| <b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b> | (768,857)                | -0-                                     | (768,857)          | -0-  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                        |                          |   |                    |  |
| Interest revenue   | 51,569                   | 886                                     | 52,455             | -  |
| Maturities of investments  | 1,476,336                | -                                       | 1,476,336          | -  |
| <b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>                   | 1,527,905                | 886                                     | 1,528,791          | -0-  |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>                   | 954,903                  | 26,486                                  | 981,389            | -0-  |
| Cash and cash equivalents, beginning of year                       | 834,324                  | 64,756                                  | 899,080            | 17,106   |
| Cash and cash equivalents, end of year                             | <u>\$1,789,227</u>       | <u>\$ 91,242</u>                        | <u>\$1,880,469</u> | <u>\$ 17,106</u>                                   |

Bath Charter Township

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended December 31, 2005

|  | Business-type Activities |                          |                     | Governmental Activities      |
|--|--------------------------|--------------------------|---------------------|------------------------------|
|  |                          | Nonmajor Enterprise Fund |                     | Internal Service Fund        |
|  | Sewer System             | (Water System)           | Total               | (Employee Sick and Vacation) |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities        |                          |                          |                     |                              |
| Operating income (loss)  | \$ (538,087)             | \$ 25,600                | \$ (512,487)        | \$ -                         |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities |                          |                          |                     |                              |
| Depreciation   | 181,118                  | -                        | 181,118             | -                            |
| (Increase) in accounts receivable  | (12,351)                 | -                        | (12,351)            | -                            |
| Decrease in assessments receivable   | 141                      | -                        | 141                 | -                            |
| Decrease in due from other funds   | 18,891                   | -                        | 18,891              | -                            |
| Decrease in deferred charges   | 4,042                    | -                        | 4,042               | -                            |
| Increase in accounts payable   | 15,747                   | -                        | 15,747              | -                            |
| (Decrease) in accrued interest payable   | (1,488)                  | -                        | (1,488)             | -                            |
| (Decrease) in deferred revenue   | (2,335)                  | -                        | (2,335)             | -                            |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES   | <u>\$ (334,322)</u>      | <u>\$ 25,600</u>         | <u>\$ (308,722)</u> | <u>\$ -0-</u>                |

Note: The Township also adjusted its equity interest in 2005 Southern Clinton County Municipal Utilities Authority operations in the Sewer System Fund by \$644,876, to reflect the current year activity at SCCMUA.

Bath Charter Township

Fiduciary Funds

STATEMENT OF NET ASSETS

December 31, 2005

|                                 | <u>Agency<br/>Funds</u> |
|---------------------------------|-------------------------|
| ASSETS                          |                         |
| Cash and cash equivalents       | <u>\$ 1,730,125</u>     |
| LIABILITIES                     |                         |
| Due to other governmental units |                         |
| Federal/State                   | \$ 25,207               |
| County                          | 380,749                 |
| Schools                         | 1,301,983               |
| Due to individuals and agencies | 5,758                   |
| Due to developers               | <u>16,428</u>           |
| TOTAL LIABILITIES               | <u>\$ 1,730,125</u>     |

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Bath Charter Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Clinton County. The Township operates under an appointed Township Superintendent and an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and four (4) Trustees and provides services to its residents in many areas including general government, fire protection, law enforcement, and sewer utility services.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of Bath Charter Township (primary government) and its component unit, an entity for which the government is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the government's operations and so data from these units are combined with data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government. The Township does not have any discretely presented component units.

BLENDING COMPONENT UNIT

- a. Building Authority - The Building Authority is governed by a five (5) member board appointed by the Township Board. Its purpose is to provide for the acquisition and construction of certain public buildings for the use of the Township.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of Bath Charter Township contain all the funds controlled by the Township Board.

2. Joint Venture

Bath Charter Township is a member of the Southern Clinton County Municipal Utilities Authority (SCCMUA). The purpose of the Authority is to operate, maintain, administer, and manage a sewage disposal system for the benefit of the constituent municipalities.

The governing body of the Authority is appointed by the constituent municipalities, and representation is based upon the purchased capacity of each municipality. Bath Charter Township currently is represented by two (2) of the ten (10) members of the Authority board. The annual budget of the Authority is submitted to the constituent municipalities and must be approved by a 2/3 vote of the members-elect of the Authority.

The members of the Authority and approximate percentage of responsibility are as follows:

|                         |     |
|-------------------------|-----|
| Bath Charter Township   | 17% |
| DeWitt Charter Township | 56% |
| City of DeWitt          | 11% |
| Watertown Township      | 16% |

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

2. Joint Venture - continued

For the year ended December 31, 2005, Bath Charter Township contributed \$1,202,575 to cover its share of operational costs and reserve activities.

Additionally, an investment in SCCMUA is recorded to reflect the current carrying value at December 31, 2005, of the cumulative effect of SCCMUA operations relating to the Township equity share in the joint venture from inception-to-date. Bath Charter Township had recorded their portion of the initial cost of construction of the Authority facilities as capital assets in the Sewer and Water System (Enterprise) Funds, however the portion of those costs relating to the Water System has been eliminated as the Township transferred ownership of its water system to the Lansing Board of Water & Light during the fiscal year ended December 31, 1999.

3. Related Organizations

The Township participates in the following activity which is considered to be a related organization in relation to the Township due to the Township appointing all of the Board Members of the organization. There is no ongoing day-to-day financial interest or responsibility.

Bath Charter Township Housing Commission - The Township appoints all of the five (5) Commission members. The Township does not have an ongoing day-to-day financial interest or responsibility for the Commission. The Commission operates a low income housing project within the County which is subsidized by HUD in accordance with the U.S. Housing Act of 1937 and is regulated by the Department of HUD.

*Statement on Michigan Governmental Accounting and Auditing No. 5* allows, because the Commission is legally separate and fiscally independent, for the Commission's financial information to be presented within the Township's notes to the financial statements only instead of in the body of the financial statements. The following financial information was obtained from the most recent audited financial statements available of the Commission for their year ended December 31, 2004. A copy of the financial statements is available at the Commission's administrative offices. As of December 31, 2004, the Commission had total assets of \$1,236,225; total liabilities of \$63,880, and total net assets of \$1,172,345. For the year ended December 31, 2004, the Commission had total operating revenues of \$72,030; total operating expenses of \$359,439; and a net increase in net assets of \$1,576 after prior period adjustments.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.



NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds and aggregated non-major funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Sewer System Fund is used to account for the operations required to provide sewer services to the general public; the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Basis of Accounting - continued

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/when both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The Township employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. Prior to September 1, the Superintendent submits a proposed operating budget for the fiscal year commencing the following January 1 to the Township Board. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted at the Township Hall to obtain taxpayer comments.
- c. Prior to November 1, the budget is adopted through passage of a Board resolution. After the budget is adopted all transfers of budgeted amounts between activities or any revisions that alter the total expenditures of the fund or activity must be approved by the Township Board.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. Formal budgetary integration is employed as a management control device during the year.
- f. The Township does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at December 31 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year.

8. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and investment trust fund accounts. The cash and cash equivalents are recorded at cost, which approximates market value.

Investments include U.S. government securities. All investments are stated at market value.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

9. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the township from special assessment, and taxes levied that have not been collected.

10. Property Tax

Bath Charter Township bills and collects its own property taxes and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied twice per year. A summer tax is levied on July 1 and a winter tax is levied on December 1. The tax levies are due September 14 and February 14, respectively. All taxes not paid by their due dates are deemed delinquent. Delinquent real property taxes are turned over to the Clinton County Treasurer on March 1 of the year following the levy. The Clinton County Treasurer remits payment to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the Township for subsequent collection.

The Township's property tax is levied each December 1 on the taxable valuation of property located in the Township as of the preceding December 31. Although the Township's 2005 tax is levied and collectible on December 1, 2005, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of the levy are budgeted and made available for the financing of Township operations.

The Township is permitted to levy up to \$5 per \$1,000 of taxable valuation for general governmental service and additional amounts for special and debt services. For the year ended December 31, 2005, the Township levied 3.9862 mills for general governmental services and 3.0000 mills for police and fire services. The total taxable value for the 2004 levy for property within the Township was \$250,622,210.

11. Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

12. Compensated Absences

Township employees are granted sick and vacation leave in varying amounts. In the event of termination, an employee is paid for accumulated sick and vacation time. All employees with accumulated unused sick and vacation time pay at December 31, 2005 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

13. Capital Assets

Capital assets include buildings, equipment, vehicles, and sewer system and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

13. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

|                               |               |
|-------------------------------|---------------|
| Buildings and improvements    | 10 - 50 years |
| Equipment and furniture       | 5 - 30 years  |
| Vehicles                      | 2 - 8 years   |
| Sewer system and improvements | 15 - 40 years |

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Deferred Revenue

Deferred revenue consists of property taxes for which there is an enforceable claim as of December 31, 2005, but which are levied to finance year 2005 operations and sewer tap-in fees the Township received for services it has not yet provided. Governmental funds report deferred revenues in connection with receivables for revenue that is not considered available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Government-wide financial statements report deferred revenues that are unavailable to liquidate liabilities of the current period.

16. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

In accordance with Michigan Compiled Laws, the Township is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.

## NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

There is a custodial credit risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. As of December 31, 2005, the carrying amount of the Township's deposits were \$4,975,456 and the bank balance was \$5,505,588, of which \$302,068 was covered by federal depository insurance. The remaining balance of \$5,203,520 was uninsured and uncollateralized.

Due to significantly higher cash flow at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Investments

As of December 31, 2005, the carrying amounts and market values for the investment are as follows:

| <u>INVESTMENT TYPE</u>   | <u>Carrying<br/>Amount</u> | <u>Weighted<br/>Average<br/>Maturity</u> | <u>Rating</u> |
|--|----------------------------|--|---------------|
| Insured or registered for which the securities<br>are held by the Township's agent in the<br>Township's name |                            |  |               |
| Federal Home Loan Mortgage Corporation   | \$ 47,968                  | 5-6 years                                | AAA           |
| Federal National Mortgage Association  | <u>48,594</u>              | 5-6 years                                | AAA           |
|  | 96,562                     |  |               |
| Uncategorized pooled investment funds  | <u>1,201,075</u>           | N/A                                      | N/A           |
|  | <u>\$ 1,297,637</u>        |  |               |

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Credit Risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of December 31, 2005, the Township investment in the Federal Home Loan Mortgage Corporation and the Federal National Mortgage Association were rated AAA by Standard and Poor's.

Interest rate risk

The Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Concentration of credit risk

The Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio by security type to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.

Custodial credit risk

The Township will minimize custodial credit risk, which is the risk that in the event of the failure of the counterparty, the Township will not be able to recover the value of its investments that are in possession of an outside party by diversifying its investments by institution to ensure that potential losses on individual securities do not exceed the income generated by the remainder of the portfolio.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of December 31, 2005:

|                           | <u>Primary<br/>Government</u> | <u>Fiduciary<br/>Funds</u> |
|---------------------------|-------------------------------|----------------------------|
| Cash and cash equivalents | \$ 4,446,606                  | \$ 1,730,125               |
| Investments               | <u>96,562</u>                 | <u>-</u>                   |
|                           | <u>\$ 4,543,168</u>           | <u>\$ 1,730,125</u>        |

The cash and cash equivalents captions in the basic financial statements include \$200 in petty cash.

**NOTE C: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at December 31, 2005, are as follows:

|                                |                 |
|--------------------------------|-----------------|
| Due to Sewer System Fund from: |                 |
| General Fund                   | <u>\$ 5,284</u> |

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE D: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and business-type funds have been eliminated.

|  |                  |
|--|------------------|
| Transfers to nonmajor governmental funds from: |                  |
| General Fund                                   | <u>\$ 73,805</u> |

**NOTE E: CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2005 was as follows:

**Governmental activities**

|   | Balance<br>Jan. 1, 2005 | Additions          | Deletions            | Balance<br>Dec. 31, 2005 |
|---|-------------------------|--------------------|----------------------|--------------------------|
| Capital assets not being depreciated:           |                         |                    |                      |                          |
| Land  | \$ 1,070,570            | \$ -               | \$( 6,050 )          | \$ 1,064,520             |
| Construction in progress                        | <u>560,840</u>          | <u>11,521</u>      | <u>( 572,361 )</u>   | <u>-0-</u>               |
| Total capital assets<br>not being depreciated   | 1,631,410               | 11,521             | ( 578,411 )          | 1,064,520                |
| Capital assets being depreciated:               |                         |                    |                      |                          |
| Land improvements                               | 597,975                 | 16,600             | -                    | 614,575                  |
| Buildings and improvements                      | 1,512,523               | 602,352            | -                    | 2,114,875                |
| Machinery and equipment                         | 118,935                 | 57,850             | ( 43,590 )           | 133,195                  |
| Vehicles  | 1,196,578               | 465,292            | ( 58,842 )           | 1,603,028                |
| Office equipment and furniture                  | <u>105,987</u>          | <u>-</u>           | <u>-</u>             | <u>105,987</u>           |
| Total capital assets<br>being depreciated       | 3,531,998               | 1,142,094          | ( 102,432 )          | 4,571,660                |
| Less accumulated depreciation for:              |                         |                    |                      |                          |
| Land improvements                               | ( 293,529 )             | ( 30,637 )         | -                    | ( 324,166 )              |
| Buildings and improvements                      | ( 348,600 )             | ( 44,408 )         | -                    | ( 393,008 )              |
| Machinery and equipment                         | ( 80,980 )              | ( 7,600 )          | 43,590               | ( 44,990 )               |
| Vehicles  | ( 849,959 )             | ( 120,756 )        | 15,323               | ( 955,392 )              |
| Office equipment and furniture                  | <u>( 33,400 )</u>       | <u>( 13,199 )</u>  | <u>-</u>             | <u>( 46,599 )</u>        |
| Total accumulated depreciation                  | <u>( 1,606,468 )</u>    | <u>( 216,600 )</u> | <u>58,913</u>        | <u>( 1,764,155 )</u>     |
| Net capital assets<br>being depreciated         | <u>1,925,530</u>        | <u>925,494</u>     | <u>( 43,519 )</u>    | <u>2,807,505</u>         |
| Net capital assets -<br>governmental activities | <u>\$ 3,556,940</u>     | <u>\$ 937,015</u>  | <u>\$( 621,930 )</u> | <u>\$ 3,872,025</u>      |

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2005

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Governmental activities – continued**

Depreciation expense was charged to the following governmental activities:

|                            |                   |
|----------------------------|-------------------|
| General government         | \$ 24,205         |
| Public safety              | 176,879           |
| Public works               | 12,108            |
| Recreation and cultural    | <u>3,408</u>      |
| Total depreciation expense | <u>\$ 216,600</u> |

**Business-type activities**

|  | <u>Balance<br/>Jan. 1, 2005</u> | <u>Additions</u>   | <u>Deletions</u> | <u>Balance<br/>Dec. 31, 2005</u> |
|--|---------------------------------|--------------------|------------------|----------------------------------|
| Capital assets not being depreciated:            |                                 |                    |                  |                                  |
| Construction in progress                         | \$ 105,860                      | \$ 337,611         | \$ -             | \$ 443,471                       |
| Capital assets being depreciated:                |                                 |                    |                  |                                  |
| Sewer system                                     | 8,515,869                       | -                  | -                | 8,515,869                        |
| Equipment  | <u>54,000</u>                   | <u>-</u>           | <u>-</u>         | <u>54,000</u>                    |
| Total capital assets<br>being depreciated        | 8,569,869                       | -0-                | -0-              | 8,569,869                        |
| Less accumulated depreciation for:               |                                 |                    |                  |                                  |
| Sewer system                                     | ( 3,137,492 )                   | ( 170,318 )        | -                | ( 3,307,810 )                    |
| Equipment  | <u>( 21,600 )</u>               | <u>( 10,800 )</u>  | <u>-</u>         | <u>( 32,400 )</u>                |
| Total accumulated depreciation                   | <u>(3,159,092 )</u>             | <u>( 181,118 )</u> | <u>-0-</u>       | <u>(3,340,210 )</u>              |
| Net capital assets<br>being depreciated          | <u>5,410,777</u>                | <u>( 181,118 )</u> | <u>-0-</u>       | <u>5,229,659</u>                 |
| Net capital assets -<br>business-type activities | <u>\$ 5,516,637</u>             | <u>\$ 156,493</u>  | <u>\$ -0-</u>    | <u>\$ 5,673,130</u>              |

**NOTE F: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the Township for the year ended December 31, 2005:

|                               | <u>Balance<br/>Jan. 1, 2005</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance<br/>Dec. 31, 2005</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|-------------------------------|---------------------------------|------------------|------------------|----------------------------------|--|
| Governmental Activities       |                                 |                  |                  |                                  |  |
| 2000 Building Authority Bonds | \$ 795,000                      | \$ -             | \$ 30,000        | \$ 765,000                       | \$ 30,000                                  |
| Installment loan payable      | 64,665                          | -                | 64,665           | -0-                              | -  |
| Lease purchase agreement      | -                               | 77,882           | 39,763           | 38,119                           | 38,119                                     |
| Lease purchase agreement      | -                               | 348,128          | -                | 348,128                          | 64,561                                     |
| Accumulated Sick and Vacation | <u>79,836</u>                   | <u>9,855</u>     | <u>-</u>         | <u>89,691</u>                    | <u>22,423</u>                              |
|                               | 939,501                         | 435,865          | 134,428          | 1,240,938                        | 155,103                                    |



Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE F: LONG-TERM DEBT - CONTINUED**

|                           | Balance<br>Jan. 1, 2005 | Additions         | Deletions         | Balance<br>Dec. 31, 2005 | Due Within<br>One Year |
|---------------------------|-------------------------|-------------------|-------------------|--------------------------|------------------------|
| Business-type Activities  |                         |                   |                   |                          |                        |
| 1973 Revenue Bonds        | \$ 1,175,000            | \$ -              | \$ 100,000        | \$ 1,075,000             | \$ 125,000             |
| 2001 Sanitary Sewer Bonds | 500,000                 | -                 | 25,000            | 475,000                  | 25,000                 |
| 2004A Sewer Bonds         | 2,980,000               | -                 | 105,000           | 2,875,000                | 105,000                |
|                           | <u>4,655,000</u>        | <u>-0-</u>        | <u>230,000</u>    | <u>4,425,000</u>         | <u>255,000</u>         |
|                           | <u>\$ 5,594,501</u>     | <u>\$ 435,865</u> | <u>\$ 364,428</u> | <u>\$ 5,665,938</u>      | <u>\$ 410,103</u>      |

Significant details regarding outstanding long-term debt (including current portion) are presented below:

General Obligation Bonds

|  |                     |
|--|---------------------|
| \$900,000 Building Authority Bonds, Series 2000, dated August 1, 2000, due in annual installments ranging from \$30,000 to \$75,000 through May 1, 2020, with interest ranging from 5.5 to 5.8 percent, payable semi-annually.                                 | \$ 765,000          |
| \$3,550,000 Clinton County Sanitary Sewer Disposal System No. 4 Bonds dated November 1, 1973, due in annual installments ranging from \$125,000 to \$175,000 through November 1, 2013, with interest ranging from 4.00 to 5.75 percent, payable semi-annually. | 1,075,000           |
| \$600,000 Clinton County Sanitary Sewer Project Bonds, Series 2001, dated January 1, 2001, due in annual installments ranging from \$25,000 to \$45,000 through November 1, 2019, with interest ranging from 4.5 to 5.20 percent, payable semi-annually.       | 475,000             |
| \$2,980,000 Bath Township Capital Improvement Bonds, Series 2004A, dated May 19, 2004, due in annual installments ranging from \$105,000 to \$215,000 through November 1, 2024, with interest ranging from 2.0 to 4.6 percent, payable semi-annually.          | <u>2,875,000</u>    |
|  | <u>\$ 5,190,000</u> |

Municipal Purchase Contracts

The following loans are considered municipal purchase contracts, under Act No. 99 PA of 1933, as amended, and are not subject to State of Michigan, Department of Treasury approval:

|   |                   |
|---|-------------------|
| \$77,882 Police Car Lease Purchase Agreement, due in annual installments of \$38,119 through February 7, 2006, with interest of 4.31 percent, payable annually.   | \$ 38,119         |
| \$348,128 Fire Truck Lease Purchase Agreement, due in annual installments of \$78,802 through February 11, 2010, with interest of 4.37 percent, payable annually. | <u>348,128</u>    |
|   | <u>\$ 386,247</u> |

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE F: LONG-TERM DEBT - CONTINUED**

| Year Ending<br>December 31, | 2000 Building<br>Authority Bonds |                   | Police Car<br>Lease Purchase<br>Agreement |                 | Clinton County<br>Sanitary Sewage<br>Project Series<br>2001 Bonds |                   | Clinton County<br>Sanitary Sewage<br>Disposal System<br>No. 4 Bonds |                   |
|-----------------------------|----------------------------------|-------------------|---|-----------------|---|-------------------|---|-------------------|
|                             | Principal                        | Interest          | Principal                                 | Interest        | Principal   | Interest          | Principal   | Interest          |
| 2006                        | \$ 30,000                        | \$ 41,880         | \$ 38,119                                 | \$ 1,643        | \$ 25,000   | \$ 22,358         | \$ 125,000  | \$ 56,000         |
| 2007                        | 35,000                           | 40,093            | -   | -               | 30,000  | 21,120            | 125,000   | 48,875            |
| 2008                        | 35,000                           | 38,168            | -   | -               | 30,000  | 19,770            | 125,000   | 41,750            |
| 2009                        | 35,000                           | 36,243            | -   | -               | 30,000  | 18,420            | 125,000   | 34,563            |
| 2010                        | 40,000                           | 34,180            | -   | -               | 30,000  | 17,070            | 125,000   | 27,375            |
| 2011-2015                   | 250,000                          | 132,675           | -   | -               | 165,000   | 63,183            | 450,000   | 40,188            |
| 2016-2020                   | 340,000                          | 50,655            | -   | -               | 165,000   | 17,410            | -   | -                 |
| 2021-2024                   | -                                | -                 | -   | -               | -   | -                 | -   | -                 |
|                             | <u>\$ 765,000</u>                | <u>\$ 373,894</u> | <u>\$ 38,119</u>                          | <u>\$ 1,643</u> | <u>\$ 475,000</u>   | <u>\$ 179,331</u> | <u>\$ 1,075,000</u>   | <u>\$ 248,751</u> |

| Year Ending<br>December 31, | Bath Township Capital<br>Improvement Bonds<br>Sewer System Project<br>Series 2004A |                     | Fire Truck Lease<br>Purchase Agreement |                  | Total              |                     |
|-----------------------------|--|---------------------|--|------------------|--------------------|---------------------|
|                             | Principal  | Interest            | Principal                              | Interest         | Principal          | Interest            |
| 2006                        | \$ 105,000   | \$ 116,495          | \$ 64,561                              | \$ 14,241        | \$ 387,680         | \$ 252,617          |
| 2007                        | 110,000  | 114,395             | 66,410                                 | 12,392           | 366,410            | 236,875             |
| 2008                        | 110,000  | 111,645             | 69,312                                 | 9,490            | 369,312            | 220,823             |
| 2009                        | 115,000  | 108,345             | 72,341                                 | 6,461            | 377,341            | 204,032             |
| 2010                        | 120,000  | 104,608             | 75,504                                 | 3,299            | 390,504            | 186,532             |
| 2011-2015                   | 675,000  | 371,767             | -                                      | -                | 1,540,000          | 607,813             |
| 2016-2020                   | 830,000  | 298,178             | -                                      | -                | 1,335,000          | 366,243             |
| 2021-2024                   | <u>810,000</u>   | <u>94,400</u>       | <u>-</u>                               | <u>-</u>         | <u>810,000</u>     | <u>94,400</u>       |
|                             | <u>\$2,875,000</u>   | <u>\$ 1,319,833</u> | <u>\$ 348,128</u>                      | <u>\$ 45,883</u> | <u>\$5,576,247</u> | <u>\$ 2,169,335</u> |

Accrued Sick and Vacation

Individual employees have vested rights upon termination of employment to receive payments for unused sick and vacation time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$89,691 at December 31, 2005. The amounts of \$22,423 and \$67,268 have been reported as current and noncurrent liabilities, respectively.

Bath Charter Township  
NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE G: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedule, the Township's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the Township have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended December 31, 2005, the Township incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

|                | <u>Amounts<br/>Appropriated</u> | <u>Amounts<br/>Expended</u> | <u>Variance</u> |
|----------------|---------------------------------|-----------------------------|-----------------|
| General Fund   |                                 |                             |                 |
| Debt service   | \$ 67,812                       | \$ 107,575                  | \$ 39,763       |
| Capital outlay | 127,901                         | 522,618                     | 394,717         |

**NOTE H: RETIREMENT PLAN**

**TOWNSHIP GENERAL**

The Township participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the Township. The system provides retirement, disability, and death benefits to plan members and their beneficiaries.

The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, MI 48917.

**Funding Policy**

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Township's collective bargaining units and requires no contribution from the employees. The Township is required to provide amounts necessary to fund the system.

**Annual Pension Cost**

For year ended December 31, 2005, the Township's annual pension cost of \$93,821 for the plan was equal to the Township's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation as of December 31, 2003, using the entry age normal actuarial method. Actual required contributions were based on actual reported monthly payroll. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8.0% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.0% to 8.40% per year, depending on age, attributable to seniority/merit and promotional salary increases and the assumption that benefits will increase 2.5% annually for persons under Benefit E-1 or E-2. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 31 years.

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE H: RETIREMENT PLAN - CONTINUED**

Three (3) year trend information

|   | Year Ended December 31, |              |              |
|---|-------------------------|--------------|--------------|
|   | <u>2002</u>             | <u>2003</u>  | <u>2004</u>  |
| Actuarial value of assets               | \$ 1,505,749            | \$ 1,716,106 | \$ 1,925,438 |
| Actuarial Accrued Liability (entry age) | 1,646,106               | 2,113,063    | 2,372,352    |
| Unfunded (overfunded) AAL               | 140,357                 | 396,960      | 446,914      |
| Funded ratio                            | 92 %                    | 81 %         | 81 %         |
| Covered payroll                         | \$ 665,422              | \$ 857,224   | \$ 858,316   |
| UAAL as a percentage of covered payroll | 21 %                    | 46 %         | 52 %         |

|                               | Year Ended December 31, |             |             |
|-------------------------------|-------------------------|-------------|-------------|
|                               | <u>2003</u>             | <u>2004</u> | <u>2005</u> |
| Annual pension cost           | \$ 63,886               | \$ 85,831   | \$ 93,821   |
| Percentage of APC contributed | 100 %                   | 100 %       | 100 %       |
| Net pension obligation        | -                       | -           | -           |

This trend information was obtained from the most recently issued actuarial reports.

**BOARD MEMBERS**

Plan Description

Bath Charter Township is the sponsor of a defined contribution retirement plan for the sole benefit of the Board Members for the Township. The Bath Charter Township Pension Plan is a money purchase defined contribution pension benefit plan. Contributions are based on a preestablished wage-based contribution schedule with the Township contributing 100% of the amount. Employees may elect to contribute additional amounts ranging from 1 to 10 percent of their compensation. During the year ended December 31, 2005, Bath Charter Township made contributions for all eligible participating employees equal to 10% of their base compensation. To be eligible to participate, an employee must be full-time, eighteen (18) years of age, and have completed three (3) months of services. The eligibility computation period is in the three (3) month period that begins with the date hired.

**NOTE I: RISK MANAGEMENT**

The Township carries commercial insurance for the risk of loss due to workers' compensation claims.

The Township is exposed to various risks of loss for liability, property, automobile, boiler, and employer's liability for which the Township carries commercial insurance.

**NOTE J: FUND EQUITY RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the Township has set aside for specific purposes.

The following are the various fund balance reserves as of December 31, 2005:

|                       |                  |
|-----------------------|------------------|
| General Fund          |                  |
| Reserved for prepaids | \$ <u>75,539</u> |

Bath Charter Township

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

**NOTE J: FUND EQUITY RESERVES AND DESIGNATIONS - CONTINUED**

|                             |                 |
|-----------------------------|-----------------|
| Nonmajor governmental funds |                 |
| Reserved for debt service   | \$ <u>2,068</u> |

The following are the fund balance designations as of December 31, 2005:

|                                 |                   |
|---------------------------------|-------------------|
| General Fund                    |                   |
| Designated for capital projects | \$ <u>162,040</u> |
| Nonmajor governmental funds     |                   |
| Designated for capital projects | \$ <u>66,461</u>  |

**NOTE K: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of December 31, 2005:

|                         |                   |
|-------------------------|-------------------|
| Governmental activities |                   |
| Restricted for          |                   |
| Debt service            | \$ <u>2,068</u>   |
| Other purposes          |                   |
| Building and zoning     | \$ 151,314        |
| Public safety           | <u>14,679</u>     |
|                         | \$ <u>165,993</u> |

**NOTE L: PRIOR PERIOD ADJUSTMENTS**

The following prior period adjustments were made during the year, and were the result of a correction of an accounting error. These adjustments were reported as a change to beginning fund balance and net assets. The effect on operations and other affected balances for the current and prior year are as follows:

|                                    | December 31, |              |                       |
|------------------------------------|--------------|--------------|-----------------------|
|                                    | <u>2005</u>  | <u>2004</u>  | <u>Description</u>    |
| Governmental activities            |              |              |                       |
| Cash and cash equivalents          | \$ -         | \$( 31,681 ) | To correct overstated |
| Change in net assets               | -            | ( 31,681 )   | cash and cash         |
| Net assets - beginning             | ( 31,681 )   | -            | equivalents           |
| General Fund                       |              |              |                       |
| Cash and cash equivalents          | -            | ( 31,681 )   | To correct overstated |
| Revenues over (under) expenditures | -            | ( 31,681 )   | cash and cash         |
| Fund balance - beginning           | ( 31,681 )   | -            | equivalents           |

## **REQUIRED SUPPLEMENTARY INFORMATION**

## Bath Charter Township

## General Fund

## BUDGETARY COMPARISON SCHEDULE

Year Ended December 31, 2005

|                            | Budgeted Amounts |            |            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|----------------------------|------------------|------------|------------|---|
|                            | Original         | Final      | Actual     |   |
| REVENUES                   |                  |            |            |   |
| Taxes                      |                  |            |            |   |
| Current property taxes     |                  |            |            |   |
| General                    | \$ 999,030       | \$ 999,030 | \$ 968,770 | \$ (30,260)   |
| Police and fire            | 751,867          | 751,867    | 751,852    | (15)  |
| Other                      | 45,000           | 45,000     | 54,428     | 9,428   |
| Payments in lieu of taxes  | 500              | 500        | 711        | 211   |
| Trailer taxes              | 3,300            | 3,300      | 2,649      | (651)   |
| Tax collection fees        | 110,000          | 110,000    | 102,847    | (7,153)   |
| Total taxes                | 1,909,697        | 1,909,697  | 1,881,257  | (28,440)  |
| Licenses and permits       |                  |            |            |   |
| Franchise fees             | 28,000           | 28,000     | 34,563     | 6,563   |
| Intergovernmental          |                  |            |            |   |
| State shared revenue       | 620,000          | 620,000    | 571,850    | (48,150)  |
| Liquor licenses            | 3,900            | 3,900      | 4,195      | 295   |
| Total intergovernmental    | 623,900          | 623,900    | 576,045    | (47,855)  |
| Charges for services       |                  |            |            |   |
| Administration fees        | 20,000           | 20,000     | 20,000     | -   |
| Court fees                 | 40,000           | 40,000     | 51,446     | 11,446  |
| Park and recreation fees   | 15,000           | 15,000     | 15,938     | 938   |
| Fire fees                  | 1,400            | 1,400      | 15         | (1,385)   |
| Police fees                | 1,800            | 1,800      | 1,471      | (329)   |
| Other                      | 6,000            | 6,000      | 1,310      | (4,690)   |
| Total charges for services | 84,200           | 84,200     | 90,180     | 5,980   |
| Interest and rents         |                  |            |            |   |
| Interest - regular         | 5,000            | 5,000      | 66,851     | 61,851  |
| Interest - tax collections | 2,500            | 2,500      | 4,972      | 2,472   |
| Rental fees                | 30,000           | 30,000     | 45,259     | 15,259  |
| Total interest and rents   | 37,500           | 37,500     | 117,082    | 79,582  |
| Other                      |                  |            |            |   |
| Refunds and rebates        | 1,000            | 1,000      | 5,383      | 4,383   |
| Reimbursements             | 4,000            | 4,000      | 22,538     | 18,538  |
| Other revenue              | -                | -          | 5,609      | 5,609   |
| Total other                | 5,000            | 5,000      | 33,530     | 28,530  |
| TOTAL REVENUES             | 2,688,297        | 2,688,297  | 2,732,657  | 44,360  |

## Bath Charter Township

## General Fund

## BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2005

|   | Budgeted Amounts |            |            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|------------------|------------|------------|---|
|   | Original         | Final      | Actual     |   |
| EXPENDITURES                            |                  |            |            |   |
| General government                      |                  |            |            |   |
| Township board                          | \$ 252,001       | \$ 252,001 | \$ 204,521 | \$ 47,480   |
| Supervisor                              | 14,454           | 14,454     | 12,776     | 1,678   |
| Superintendent                          | 94,246           | 94,246     | 86,934     | 7,312   |
| Elections                               | 8,800            | 13,800     | 10,023     | 3,777   |
| Assessor                                | 76,650           | 76,650     | 75,802     | 848   |
| Clerk                                   | 123,226          | 123,226    | 109,075    | 14,151  |
| Board of Review                         | 1,718            | 1,718      | 1,248      | 470   |
| Treasurer                               | 128,119          | 128,119    | 118,591    | 9,528   |
| Building and grounds                    | 104,300          | 104,300    | 88,640     | 15,660  |
| Senior center                           | 26,511           | 26,511     | 19,592     | 6,919   |
| Other                                   | 101,900          | 91,900     | 114,030    | (22,130)  |
| Total general government                | 931,925          | 926,925    | 841,232    | 85,693  |
| Public safety                           |                  |            |            |   |
| Police department                       | 892,159          | 905,159    | 871,130    | 34,029  |
| Fire department                         | 181,300          | 215,330    | 204,271    | 11,059  |
| Total public safety                     | 1,073,459        | 1,120,489  | 1,075,401  | 45,088  |
| Public works                            |                  |            |            |   |
| Department of public works              | 322,834          | 322,834    | 283,016    | 39,818  |
| Recreation and cultural                 |                  |            |            |   |
| Parks and recreation                    | 56,757           | 56,757     | 48,063     | 8,694   |
| Debt service                            |                  |            |            |   |
| Principal                               | 64,665           | 64,665     | 104,428    | (39,763)  |
| Interest                                | 3,147            | 3,147      | 3,147      | -0-   |
| Total debt service                      | 67,812           | 67,812     | 107,575    | (39,763)  |
| Capital outlay                          | 127,901          | 127,901    | 522,618    | (394,717)   |
| TOTAL EXPENDITURES                      | 2,580,688        | 2,622,718  | 2,877,905  | (255,187)   |
| EXCESS OF REVENUES OVER<br>EXPENDITURES | 107,609          | 65,579     | (145,248)  | (210,827)   |



## Bath Charter Township

## General Fund

## BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended December 31, 2005

|   | Budgeted Amounts  |                   | Actual              | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|-------------------|-------------------|---------------------|---|
|   | Original          | Final             |                     |   |
| OTHER FINANCING SOURCES (USES)  |                   |                   |                     |   |
| Loan proceeds   | \$ -              | \$ -              | \$ 426,010          | \$ 426,010  |
| Proceeds from sale of capital assets  | 1,000             | 1,000             | 228,209             | 227,209   |
| Transfers out   | (75,180)          | (75,180)          | (73,805)            | 1,375   |
| TOTAL OTHER FINANCING<br>SOURCES (USES)                                     | (74,180)          | (74,180)          | 580,414             | 654,594   |
| EXCESS OF REVENUES<br>OVER (UNDER) EXPENDITURES<br>AND OTHER FINANCING USES | 33,429            | (8,601)           | 435,166             | 443,767   |
| Fund balances, beginning of year  | 881,231           | 881,231           | 881,231             | -0-   |
| Prior period adjustment   | -                 | -                 | (31,681)            | (31,681)  |
| Fund balances, end of year  | <u>\$ 914,660</u> | <u>\$ 872,630</u> | <u>\$ 1,284,716</u> | <u>\$ 443,767</u>                                       |

## **OTHER SUPPLEMENTARY INFORMATION**

Bath Charter Township  
Nonmajor Governmental Funds  
COMBINING BALANCE SHEET  
December 31, 2005

|  | Special            |                    |                    |
|--|--------------------|--------------------|--------------------|
|  | Police<br>Training | Street<br>Lighting | Drug<br>Forfeiture |
| ASSETS                                 |                    |                    |                    |
| Cash and cash equivalents              | \$ 3,998           | \$ 67,074          | \$ 14,679          |
| Special assessments receivable         | -                  | 24,278             | -                  |
| TOTAL ASSETS                           | <u>\$ 3,998</u>    | <u>\$ 91,352</u>   | <u>\$ 14,679</u>   |
| LIABILITIES AND FUND BALANCES          |                    |                    |                    |
| LIABILITIES                            |                    |                    |                    |
| Accounts payable                       | \$ -               | \$ 3,610           | \$ -               |
| Deferred revenue                       | -                  | 43,381             | -                  |
| TOTAL LIABILITIES                      | -0-                | 46,991             | -0-                |
| FUND BALANCES                          |                    |                    |                    |
| Reserved for debt service              | -                  | -                  | -                  |
| Unreserved                             |                    |                    |                    |
| Designated for capital projects        | -                  | -                  | -                  |
| Undesignated                           | 3,998              | 44,361             | 14,679             |
| TOTAL FUND BALANCES                    | <u>3,998</u>       | <u>44,361</u>      | <u>14,679</u>      |
| TOTAL LIABILITIES AND<br>FUND BALANCES | <u>\$ 3,998</u>    | <u>\$ 91,352</u>   | <u>\$ 14,679</u>   |

| Revenue          |                     |                      | Debt Service    | Capital Projects    | Total Nonmajor Governmental Funds |
|------------------|---------------------|----------------------|-----------------|---------------------|-----------------------------------|
| Cemetery         | Building and Zoning | Budget Stabilization | Debt Service    | Capital Improvement |                                   |
| \$ 60,859        | \$ 166,982          | \$ 174,958           | \$ 2,068        | \$ 72,150           | \$ 562,768                        |
| -                | -                   | -                    | -               | 9,569               | 33,847                            |
| <u>\$ 60,859</u> | <u>\$ 166,982</u>   | <u>\$ 174,958</u>    | <u>\$ 2,068</u> | <u>\$ 81,719</u>    | <u>\$ 596,615</u>                 |
|                  |                     |                      |                 |                     |                                   |
| \$ -             | \$ 15,668           | \$ -                 | \$ -            | \$ -                | \$ 19,278                         |
| -                | -                   | -                    | -               | 15,278              | 58,659                            |
| -0-              | 15,668              | -0-                  | -0-             | 15,278              | 77,937                            |
| -                | -                   | -                    | 2,068           | -                   | 2,068                             |
| -                | -                   | -                    | -               | 66,441              | 66,441                            |
| 60,859           | 151,314             | 174,958              | -               | -                   | 450,169                           |
| <u>60,859</u>    | <u>151,314</u>      | <u>174,958</u>       | <u>2,068</u>    | <u>66,441</u>       | <u>518,678</u>                    |
| <u>\$ 60,859</u> | <u>\$ 166,982</u>   | <u>\$ 174,958</u>    | <u>\$ 2,068</u> | <u>\$ 81,719</u>    | <u>\$ 596,615</u>                 |

Bath Charter Township

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2005

|  | Special            |                    |                    |
|--|--------------------|--------------------|--------------------|
|  | Police<br>Training | Street<br>Lighting | Drug<br>Forfeiture |
| REVENUES   |                    |                    |                    |
| Intergovernmental - State  | \$ 2,472           | \$ -               | \$ -               |
| Licenses and permits   | -                  | -                  | -                  |
| Charges for services   | -                  | -                  | -                  |
| Interest   | -                  | 76                 | -                  |
| Other  |                    |                    |                    |
| Special assessments  | -                  | 50,515             | -                  |
| Other  | -                  | -                  | 1,660              |
| TOTAL REVENUES   | 2,472              | 50,591             | 1,660              |
| EXPENDITURES   |                    |                    |                    |
| Current  |                    |                    |                    |
| General government   | -                  | -                  | -                  |
| Public safety  | 1,025              | -                  | 6,903              |
| Public works   | -                  | 42,250             | -                  |
| Capital outlay   | -                  | -                  | -                  |
| Debt service   | -                  | -                  | -                  |
| TOTAL EXPENDITURES   | 1,025              | 42,250             | 6,903              |
| EXCESS OF REVENUES OVER<br>(UNDER) EXPENDITURES                                | 1,447              | 8,341              | (5,243)            |
| OTHER FINANCING SOURCES  |                    |                    |                    |
| Transfers in   | -                  | -                  | -                  |
| EXCESS OF REVENUES AND OTHER<br>FINANCING SOURCES OVER (UNDER)<br>EXPENDITURES | 1,447              | 8,341              | (5,243)            |
| Fund balance, beginning of year  | 2,551              | 36,020             | 19,922             |
| Fund balance, end of year  | \$ 3,998           | \$ 44,361          | \$ 14,679          |

| Revenue   |                     |                      | Debt Service | Capital Projects     | Total Nonmajor Governmental Funds |
|-----------|---------------------|----------------------|--------------|----------------------|-----------------------------------|
| Cemetery  | Building and Zoning | Budget Stabilization | Debt Service | Capital Improvements |                                   |
| \$ -      | \$ -                | \$ -                 | \$ -         | \$ -                 | \$ 2,472                          |
| -         | 281,103             | -                    | -            | -                    | 281,103                           |
| 12,369    | 7,295               | -                    | -            | -                    | 19,664                            |
| -         | -                   | -                    | 40           | -                    | 116                               |
| -         | -                   | -                    | -            | 17,651               | 68,166                            |
| -         | -                   | -                    | -            | -                    | 1,660                             |
| 12,369    | 288,398             | -0-                  | 40           | 17,651               | 373,181                           |
| 4,876     | -                   | -                    | -            | -                    | 4,876                             |
| -         | 214,995             | -                    | -            | -                    | 222,923                           |
| -         | -                   | -                    | -            | 14,480               | 56,730                            |
| 20,000    | -                   | -                    | -            | 52,368               | 72,368                            |
| -         | -                   | -                    | 73,805       | -                    | 73,805                            |
| 24,876    | 214,995             | -0-                  | 73,805       | 66,848               | 430,702                           |
| (12,507)  | 73,403              | -0-                  | (73,765)     | (49,197)             | (57,521)                          |
| -         | -                   | -                    | 73,805       | -                    | 73,805                            |
| (12,507)  | 73,403              | -0-                  | 40           | (49,197)             | 16,284                            |
| 73,366    | 77,911              | 174,958              | 2,028        | 115,638              | 502,394                           |
| \$ 60,859 | \$ 151,314          | \$ 174,958           | \$ 2,068     | \$ 66,441            | \$ 518,678                        |

Bath Charter Township

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

December 31, 2005

|                                 | <u>Current Tax<br/>Collections</u> | <u>Trust and<br/>Agency</u> | <u>Detective<br/>Bureau</u> | <u>Total</u>        |
|---------------------------------|------------------------------------|-----------------------------|-----------------------------|---------------------|
| <b>ASSETS</b>                   |                                    |                             |                             |                     |
| Cash and cash equivalents       | <u>\$ 1,711,133</u>                | <u>\$ 18,991</u>            | <u>\$ 1</u>                 | <u>\$ 1,730,125</u> |
| <b>LIABILITIES</b>              |                                    |                             |                             |                     |
| Due to other governmental units |                                    |                             |                             |                     |
| Federal/State                   | \$ 25,207                          | \$ -                        | \$ -                        | \$ 25,207           |
| County                          | 378,815                            | 1,933                       | 1                           | 380,749             |
| Schools                         | 1,301,983                          | -                           | -                           | 1,301,983           |
| Due to individuals and agencies | 5,128                              | 630                         | -                           | 5,758               |
| Due to developers               | <u>-</u>                           | <u>16,428</u>               | <u>-</u>                    | <u>16,428</u>       |
| <b>TOTAL LIABILITIES</b>        | <u>\$ 1,711,133</u>                | <u>\$ 18,991</u>            | <u>\$ 1</u>                 | <u>\$ 1,730,125</u> |

Principals

Dale J. Abraham, CPA  
Michael T. Gaffney, CPA  
Steven R. Kirinovic, CPA  
Aaron M. Stevens, CPA  
Eric J. Glashouwer, CPA



**ABRAHAM & GAFFNEY, P.C.**

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MANAGEMENT LETTER

To the Board of Trustees  
Bath Charter Township  
Bath, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of Bath Charter Township for the year ended December 31, 2005. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the Township's internal controls and our discussions with management.

1. The Township should identify significant differences between the general ledger cash balances and the adjusted balance of the pooled general bank account.

During our analysis of the Township's general ledger cash balances, we noted that the Township's monthly bank reconciliations included significant unidentified differences between the adjusted bank balance and the combined total of general ledger cash line items. A similar issue was noted and reported in our audit comments last year.

We suggest the Township review the significant differences noted and identify as much of the unreconciled difference as possible to ensure the accuracy of the general ledger system. We have proposed an adjusting entry to reconciling the balances as of December 31, 2005. We also plan to review the bank reconciliations with the Township Treasurer throughout the year on a quarterly basis.

2. The Township should integrate all accounting software with the computerized general ledger.

During our audit it was noted through discussions with management that the utility billings software and property tax software are not integrated with the computerized general ledger system.

We suggest the Township review the accounting packages used and consider integrating all accounting modules with the computerized general ledger to increase the accuracy of the general ledger and efficiency of the Township staff by eliminating the need for adjusting entries to record utility billing and property tax activities.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated March 10, 2006.



This report is intended solely for the use of management and the Board of Trustees of Bath Charter Township and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

March 10, 2006